GTN Limited results for the half-year ending 31 December 2018

Highlights:

- Revenue from continuing operations $94.4 million, +2% on 1H FY18
- 1H FY19 revenue increased in both local currency and AUD in all geographies outside of Australia
- NPAT from continuing operations $10.7 million, (22)% on 1H FY18
- Adjusted EBITDA[1] from continuing operations of $22.3 million, (9)% on 1H FY18 compared to guidance of 10% to 15% decline
- Interim dividend declared of $0.024 to holders of record on 13 March 2019 (100% franked)
- Strong liquidity position with net debt (after cash) of $24.6 million including cash balances of $38.6 million

Sydney, 25 February 2019 – GTN Limited (ASX: GTN) (Company or **GTN),** one of the largest broadcast media advertising platforms by audience reach in Australia, Brazil, Canada and the United Kingdom today announced its results for the half-year ended 31 December 2018.

Overview of 1H FY19 results

(m)[2]	1H FY19	1H FY18	% Difference
Revenue[5]	94.4	92.2	+2.3%
EBITDA[4]	18.1	20.4	(11.1)%
Adjusted EBITDA[1]	22.3	24.7	(9.4)%
NPAT[5]	10.7	13.6	(21.9)%
NPATA[3]	12.9	15.8	(18.1)%
NPATA per share	$0.06	$0.07	(18.1)%

CEO Comment

Commenting on the results, William L. Yde III, Managing Director and Chief Executive Officer of GTN, said "While we are disappointed with the dip in revenue in Australia which led to lower earnings for the period, there are still many positives. Revenue was up in all our other markets in both local currency and AUD which allowed us to increase consolidated revenue two percent for the period. Our markets continue to generate significant cash flow for the Company.

[1] Adjusted EBITDA is defined as EBITDA adding back the non-cash interest income related to the long-term prepaid affiliation agreement with Southern Cross Austereo which is treated as a financing transaction, transaction costs and foreign exchange gains/losses.
[2] Amounts in tables may not add due to rounding. Percentage change based on actual amounts prior to rounding.
[3] NPATA is defined as net profit after tax from continuing operations adjusted for the tax effected amortization arising from acquisition related intangible assets.
[4] EBITDA is defined as net profit after tax from continuing operations (earnings) before the deduction of interest expense/income, income taxes, depreciation and amortization.
[5] Results are for continuing operations only. The Company's United States operating segment was disposed of in March 2018.

After a strong first quarter, Australia revenue softened and led to a three percent drop in revenue for the period when compared to the half-year period ended 31 December 2017. Australia revenue was impacted by both a difficult market in general and the loss of several key clients during second fiscal quarter. EBITDA was also impacted by increased station compensation as we entered into a multi-year renewal with one of our key station groups. We now have cost certainty with our three most important station groups through next fiscal year and beyond. We are confident that we can grow revenue over the life of these contracts which we expect will lead to EBITDA increases in the future. While we believe that the revenue drop was primarily market driven, we have spent a great deal of time and effort reviewing our sales procedures with particular focus on the clients we lost and believe we have made improvements which we expect to lead to revenue increases in the future.

Canada EBITDA was negatively impacted by additional station compensation due to expansion of two of our primary radio station group deals as well as adding Rogers in Toronto, which is the most important market in the country. Not unexpectedly, revenue has not yet kept up pace with the expansion of our networks. However, our experience has been that revenue follows inventory and audience delivery and we are excited for the future of the market. We also continue to work to fill the few remaining holes in our station line-up and expand our sales staff in order to accelerate revenue growth.

Brazil once again was our fastest growing market with a 13% revenue increase in local currency in the first half of fiscal 2019. Unfortunately, unfavorable currency fluctuations offset almost all this growth as revenue growth in AUD was only one percent. During the current period, we opened the Campinas market and in February opened Brasilia, the capital of Brazil, bringing our Brazilian markets to seven. While opening additional markets has had a negative impact on EBITDA and sell-out during the half-year ended 31 December 2018, we believe these actions will have long-term benefits. We also believe there continues to be significant growth available in Brazil from signing additional radio station affiliates in our existing markets, opening new markets and increased utilization of our current inventory.

The United Kingdom posted an increase in revenue in both local currency and AUD which led to an increase EBITDA. Although we believe the UK is a more mature market compared to our other markets, the market continues to be a significant source of cash flow to the Company."

Share Repurchase

The Company announced today that it has initiated an on-market share buy-back of up to 10% of its outstanding shares (up to $20 million) for a period of up to twelve months (**Buy-Back**). GTN flagged a potential buy-back to the market on 23 January 2019 as a capital management initiative to help maximize value for shareholders. The purpose of the Buy-Back is part of the Company's ongoing capital management policy should the GTN share price continue to trade at a significant discount to the GTN Board's view of its underlying value. However, no target share price or minimum repurchase amount has been set.

Macquarie Securities (Australia) Limited has been appointed by the Company to act as its broker for the Buy-Back.

Outlook

Projected revenue in Australia for the two months of January and February is expected to be flat when compared with the same two months in 2018, thus reversing the trend from the quarter ending 31 December 2018. Overall revenue for the entire Company is expected to be slightly up for the two-month period. In local currency we expect Brazil and Canada to exceed January/February 2018 while we anticipate U.K. will be lower. The Company has a relatively short sales cycle and therefore a lack of visibility over forecast sales and the resulting EBITDA for the second half of the financial year. However, all four of our markets continue to be positioned to perform well, with solid affiliate line-ups, strong sales staff, and virtually no direct competitors.

About GTN Limited

GTN Limited (ASX: GTN) began operations in Australia in 1997 and has grown to become the largest supplier of traffic information reports to radio stations in Australia, United Kingdom, Canada and Brazil (four of the 10 largest advertising markets in the world) and one of the largest broadcast media advertising platforms by audience reach in these operating geographies.

In exchange for providing traffic and information reports, and in certain cases monetary compensation, GTN receives commercial advertising spots adjacent to traffic, news and information reports from its large network of affiliates. These spots are bundled together by GTN and sold to advertisers on a national, regional or specific market basis.

GTN's advertising spots are short in duration, adjacent to engaging information reports and are often read live on the air by well-known radio and television personalities during peak audience hours. GTN's broad audience means it is able to deliver effective radio advertisements with high frequency and expansive reach, enabling advertisers to communicate with high-value demographics cost effectively.

For more information, visit the Company's website at www.gtnetwork.com.au.

Conference Call

GTN Limited will host a conference call at 10:30 a.m. Australia Eastern Daylight time on Monday, 25 February 2019 to discuss its half-year fiscal 2019 results.

Conference ID Code: 5449788

Dial-in numbers:
- Australia (toll free): 1800 123 296
- Australia (toll): +61 2 8038 5221
- New Zealand: 0800 452 782
- Hong Kong: 800 908 865
- Singapore: 800 616 2288

Conference Call Replay

A replay of the call will be available from 11:30 a.m. AEDT on 25 February 2019 until 4 March 2019.

Replay PIN Code: 5449788

Dial-in numbers:
- Australia (toll free): 1800 153 898
- Australia (toll): +61 2 9003 4221

- New Zealand: 0800 453 213
- Hong Kong: 800 963 117
- Singapore: 800 616 2305

CONTACT:

Jo Collins, Newgate Communications: 0423 029 932
Kieran Ingrey, Newgate Communications: 0432 507 439

Additional Financial and Operating Information

1) 1H FY19 revenue from continuing operations (+2% on 1H FY18)

Revenue exceeded 1H FY18 in the three Company markets outside of Australia (Brazil, Canada and United Kingdom) in both local currencies and AUD.

1H19 revenue by geographic segment

(m) [2]	1H FY19	1H FY18	% Difference
Australia (ATN)	48.6	50.1	(3.0)%
Canada (CTN)	16.4	15.3	+7.0%
United Kingdom (UKTN)	22.5	19.9	+12.7%
Brazil (BTN)	6.9	6.9	+1.1%
	94.4	**92.2**	**+2.3%**

Note: Further detail on exchange rates is provided in the Half-Year Report lodged on 25 February 2019.

When measured in local currency, revenue increased in all markets outside of Australia compared to 1H FY18. Currency had a positive impact on Canada and United Kingdom reported revenue while acting as a significant headwind on Brazil revenues.

(m) [2]	1H FY19	1H FY18	% Difference
Australia (ATN)	48.6	50.1	(3.0)%
Canada (CTN)	15.6	15.1	+3.5%
United Kingdom (UKTN)	12.6	11.8	+6.6%
Brazil (BTN)	19.4	17.2	+13.3%

2) Adjusted EBITDA of $22.3 million (-9% on 1H FY18)

(m)[2]	1H FY19	1H FY18
Revenues	**94.4**	**92.2**
Network operations and station compensation expenses	(57.5)	(53.9)
Selling, general and administrative expenses	(18.5)	(17.5)
Equity based compensation expense	(0.3)	(0.3)
Foreign currency transaction loss	-	(0.1)
Operating expenses	**(76.2)**	**(71.8)**
EBITDA	18.1	20.4
Interest income on Southern Cross Austereo Affiliate Contract	4.2	4.2
Foreign currency transaction loss	-	0.1
Adjusted EBITDA	**22.3**	**24.7**

Adjusted EBITDA was impacted by a 6.6% increase in network operations and station compensation expenses. The increase was primarily related to increases in station compensation related to additional variable station compensation in the UK from the revenue increase during the period, a multi-year renewal of a key station group in Australia and expansion of the Canada network, including commencement of Rogers in Toronto. Operating expenses were also impacted by opening the Salvador and Campinas markets in Brazil since neither of these markets had expenses in 1H18, as well as approximately $0.9 million increase due to foreign currency fluctuations. Selling, general and administrative expenses increased $0.95 million. The largest portion of this increase related to additional commission and bonus costs in the United Kingdom related to the strong revenue performance in the market. Adjusted EBITDA increased approximately $0.5 million due to the adoption of AASB 16 (Leases) due to lower rent expense.

3) NPATA of $12.9 million (-18% on 1H FY18)

Comparative NPATA was negatively impacted by $0.5 million additional depreciation expense resulting from the adoption of AASB 16 effective 1 July 2018. Under AASB 16, most operating leases (except short term and low value leases) are capitalized and added to the balance sheet. The right of use asset created is depreciated over the length of the lease or useful life of the asset, whichever is shorter.

4) Strong liquidity position with net debt after cash of $24.6 million

The Group reported strong cash flow from continuing operations as over 100% of Adjusted EBITDA became operating free cash flow before capital expenditure.

1H FY19 Cash Flow[5]

(m)[2]	1H FY19	1H FY18
Adjusted EBITDA	**22.3**	**24.7**
Non-cash items in Adjusted EBITDA	0.3	0.3
Change in working capital	(0.9)	(3.9)
Impact of Southern Cross Austereo Affiliate Contract	1.0	1.0
Operating free cash flow before capital expenditure	**22.7**	**22.0**
Capital expenditure	(2.3)	(1.6)
Net free cash flow before financing, tax and dividends	**20.4**	**20.5**

The Group's cash balance was $38.6 million at 31 December 2018. The Group also has a $15 million bank facility which is undrawn as of 31 December 2018.

The Group has outstanding debt principal at 31 December 2018 of $63.2 million (including $3.2 million of leases from the adoption of AASB 16) and net debt (principal less cash balances) of $24.6 million. The ratio of net debt to Adjusted EBITDA was 0.54x at 31 December 2018.

A final dividend of $0.110 was paid 28 September 2018. The final dividend was 70% franked. An interim dividend of $0.024 was declared on 25 February 2019 to holders of record as of 13 March 2019. The interim dividend will be 100% franked.

5) Key operating metrics

GTN's 1H FY19 revenue result was underpinned by solid inventory acquisition across its four current operating geographies.

Key operating metrics by market (local currency)

	Notes	1H FY19	1H FY18
Australia			
Radio spots inventory ('000s)	1	531	472
Radio sell-out rate (%)	2	65%	73%
Average radio spot rate (AUD)	3	138	138
Canada			
Radio spots inventory ('000s)	1	335	325
Radio sell-out rate (%)	2	68%	67%
Average radio spot rate (CAD)	3	67	68
United Kingdom			
Total radio impacts available ('000)	4	9,717	9,721
Radio sell-out rate (%)	5	99%	95%
Average radio net impact rate (GBP)	6	1.3	1.3
Brazil			
Radio spots inventory ('000s)	1	139	98
Radio sell-out rate (%)	2	60%	74%
Average radio spot rate (BRL)	3,7	272	274

1. Available radio advertising spots adjacent to traffic, news and information reports.
2. The number of radio spots sold as a percentage of the number of radio spots available.
3. Average price per radio spot sold net of agency commission.
4. The UK market measures inventory and units sold based on impacts instead of spots. An impact is a thousand listener impressions.
5. The number of impressions sold as a percentage of the number of impressions available.
6. Average price per radio impact sold net of agency commission.
7. Not adjusted for taxes or advertising agency incentives that are deducted from net revenue.

Appendix A

Reconciliation of non-IFRS disclosures

($m)[2]	1H FY19	1H FY18
Reconciliation of EBITDA and Adjusted EBITDA to Profit before income tax from continuing operations		
Profit before income tax from continuing operations	15.1	17.6
Depreciation and amortization	(5.5)	(4.7)
Finance costs	(1.8)	(2.6)
Interest on bank deposits	0.1	0.2
Interest income on long-term prepaid affiliate contract	4.2	4.2
EBITDA	**18.1**	**20.4**
Interest income on long-term prepaid affiliate contract	4.2	4.2
Foreign currency transaction loss	-	(0.1)
Adjusted EBITDA	**22.3**	**24.7**
Profit for the year from continuing operations (**NPAT**)	10.7	13.6
Amortization of intangible assets (tax effected)	2.3	2.1
NPATA	**12.9**	**15.8**